

TOWN OF FRAMINGHAM, MASSACHUSETTS

Financial Statements

For the Year Ended June 30, 2001

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Framingham, Massachusetts

We have audited the accompanying general purpose financial statements of the Town of Framingham, Massachusetts, as of and for the year ended June 30, 2001 (December 31, 2000 for the Contributory Retirement System), as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the General Fixed Asset Group of Accounts, as required by generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Account Group has not been determined.

In our opinion, except for the effects of the item described in the third paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Framingham, Massachusetts, as of June 30, 2001 (and December 31, 2000 for the Contributory Retirement System), and the results of its operations and cash flows of its proprietary and similar trust fund types for the year(s) then ended in conformity with accounting principles generally accepted in the United States of America.

Additional Offices:

Nashua, NH • Greenfield, MA • Ellsworth, ME

The supplementary schedules presented on pages 32 and 33 are presented for the purpose of additional analysis and are a not required part of the general purpose financial statements. The information in those schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The supplementary pension information on page 34 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2002 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Melanson Heath + Company P.C.

Andover, Massachusetts
January 24, 2002

TOWN OF FRAMINGHAM, MASSACHUSETTS

Combined Balance Sheet -
All Fund Types and Account Group

June 30, 2001
(December 31, 2000 for the Contributory Retirement System)

ASSETS	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Group General Long-Term Debt	Totals (Memorandum Only)	Contributory Retirement System as of 12/31/00
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency				
Cash and cash equivalents	\$ 12,390,488	\$ 4,667,254	\$ 3,532,657	\$ 6,854,701	\$ 2,053,416	\$ 7,980,372	\$	\$	\$ 37,478,888	\$ 68,671
Investments	-	-	-	-	-	2,521,147	-	-	2,521,147	141,401,833
Receivables:										
Property taxes	2,134,179	-	-	-	-	-	-	-	2,134,179	-
Tax liens and foreclosures	3,804,175	-	-	879,256	-	-	-	-	4,683,431	-
Excises	1,921,058	-	-	-	-	-	-	-	1,921,058	-
Utility, net	-	-	-	5,511,211	-	-	-	-	5,511,211	-
Other receivables	146,003	163,985	-	-	-	-	-	-	309,988	-
Due from other governments	1,033,525	590,868	-	-	-	-	-	-	1,624,393	-
Other assets	-	-	-	-	-	3,996,444	-	-	3,996,444	-
Fixed assets, net	-	-	-	35,670,913	-	-	-	-	35,670,913	-
Construction in progress	-	-	-	1,095,041	-	-	-	-	1,095,041	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-	-	-	-	-	-	-
Amount to be provided by Commonwealth	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 21,429,428	\$ 5,422,107	\$ 3,532,657	\$ 50,011,122	\$ 2,053,416	\$ 14,497,963	\$	\$ 68,630,449	\$ 165,577,142	\$ 141,470,504
LIABILITIES AND FUND EQUITY										
Liabilities:										
Warrants payable	\$ 1,486,670	\$ 596,430	\$ 283,504	\$ 222,983	\$ 345	\$ 207,703	\$	\$	\$ 2,797,635	\$
Accounts payable	84,565	7,699	-	-	-	31,126	-	-	123,390	1,241
Deferred revenue	7,692,868	-	-	-	-	-	-	-	7,692,868	3,129,048
Accrued payroll and withholdings	3,484,115	302,340	-	36,046	-	-	-	-	3,822,501	-
Accrued liabilities	-	-	-	-	-	-	-	1,928,688	1,928,688	-
Other liabilities	21,075	-	-	281,617	-	452,687	-	-	755,379	-
Deposits held	-	-	-	-	-	6,828,129	-	-	6,828,129	-
Tax refund reserve	1,567,473	-	-	-	-	-	-	-	1,567,473	-
Note payable	-	-	2,702,670	211,000	-	-	-	-	2,913,670	-
Bonds payable	-	-	-	1,829,484	-	-	-	-	1,829,484	-
Capital lease obligations	-	-	-	-	-	-	-	66,650,000	66,650,000	-
Accrued claims liability	-	-	-	-	-	-	-	51,761	51,761	-
Total Liabilities	14,336,766	906,469	2,986,174	2,581,130	2,920,028	7,519,645	-	68,630,449	99,880,661	3,130,289
Fund Equity:										
Contributed capital	-	-	-	27,039,159	-	-	-	-	27,039,159	-
Retained earnings	-	-	-	19,607,531	(866,612)	-	-	-	18,740,919	-
Fund balance:										
Reserved for retirement	-	-	-	-	-	-	-	-	-	138,340,215
Reserved for encumbrances	832,609	-	-	500,702	-	-	-	-	1,333,311	-
Reserved for expenditures	2,825,091	-	-	282,600	-	-	-	-	3,107,691	-
Reserved for endowments	-	-	-	-	-	437,581	-	-	437,581	-
Unreserved, undesignated	3,434,962	4,515,638	546,483	-	-	6,540,737	-	-	15,037,820	-
Total Fund Equity	7,092,662	4,515,638	546,483	47,429,992	(866,612)	6,976,318	-	-	65,696,481	138,340,215
Total Liabilities and Fund Equity	\$ 21,429,428	\$ 5,422,107	\$ 3,532,657	\$ 50,011,122	\$ 2,053,416	\$ 14,497,963	\$	\$ 68,630,449	\$ 165,577,142	\$ 141,470,504

TOWN OF FRAMINGHAM, MASSACHUSETTS

Combined Statement of Revenues, Expenditures, and
Changes in Fund Equity
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 2001

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Fund Types Expendable Trust	Memorandum Only
Revenues:					
Property taxes	\$ 97,448,858	\$ -	\$ -	\$ -	\$ 97,448,858
Excise	6,879,280	-	-	-	6,879,280
Penalties, interest and other taxes	2,565,334	-	-	-	2,565,334
Intergovernmental	39,815,817	11,347,951	-	-	51,163,768
Charges for services	4,247,109	4,811,363	-	155,214	9,213,686
Investment income	1,459,740	-	-	312,843	1,772,583
Licenses and permits	1,912,484	-	-	-	1,912,484
Fines and forfeitures	348,634	-	-	-	348,634
Miscellaneous	389,010	810,954	6,941	-	1,206,905
Contributions	-	167,905	-	89,045	256,950
Total Revenues	155,066,266	17,138,173	6,941	557,102	172,768,482
Expenditures:					
Current:					
General government	6,292,439	1,633,114	741,579	-	8,667,132
Public safety	18,618,281	2,453,273	696,654	52,005	21,820,213
Education	83,412,847	11,356,015	5,685,764	-	100,454,626
Public works	8,265,322	901,045	633,772	463,575	10,263,714
Human services	918,280	128,618	-	-	1,046,898
Culture and recreation	3,325,786	655,615	425,452	136,523	4,543,376
Employee benefits	21,458,297	-	-	-	21,458,297
Debt service	8,813,759	-	-	-	8,813,759
Intergovernmental	1,966,749	-	-	-	1,966,749
Total Expenditures	153,071,760	17,127,680	8,183,221	652,103	179,034,764
Excess (deficiency) of revenues over expenditures	1,994,506	10,493	(8,176,280)	(95,001)	(6,266,282)
Other Financing Sources (Uses):					
Operating transfers in	447,126	-	-	542,163	989,289
Operating transfers (out)	(687,504)	(416,667)	(6,941)	-	(1,111,112)
Bond proceeds	-	-	3,460,000	-	3,460,000
Proceeds of refunding debt	9,005,000	-	-	-	9,005,000
Payments to escrow agent	(9,005,000)	-	-	-	(9,005,000)
Total Other Financing Sources (Uses)	(240,378)	(416,667)	3,453,059	542,163	3,338,177
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,754,128	(406,174)	(4,723,221)	447,162	(2,928,105)
Fund Balance, July 1, 2000	5,338,534	4,921,812	5,269,704	6,093,575	21,623,625
Fund Balance, June 30, 2001	\$ 7,092,662	\$ 4,515,638	\$ 546,483	\$ 6,540,737	\$ 18,695,520

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Revenues and Other Sources,
and Expenditures and Other Uses
Budget and Actual - General Fund

For the Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues and Other Sources:			
Property taxes	\$ 96,115,036	\$ 96,115,036	\$ -
Excise	6,684,600	6,879,280	194,680
Penalties, interest and other taxes	1,975,000	2,565,334	590,334
Charges for services	4,256,378	4,247,109	(9,269)
Intergovernmental	26,688,222	27,210,283	522,061
Licenses and permits	1,607,324	1,912,484	305,160
Fines and forfeitures	420,000	348,634	(71,366)
Interest	1,161,150	1,459,740	298,590
Miscellaneous	20,800	389,010	368,210
Transfers in	326,440	447,126	120,686
Other sources	<u>2,461,796</u>	<u>2,461,796</u>	<u>-</u>
Total Revenues and Other Sources	141,716,746	144,035,832	2,319,086
Expenditures and Other Uses:			
General government	6,459,505	6,202,800	256,705
Public safety	18,798,155	18,582,190	215,965
Education	70,321,714	70,311,894	9,820
Public works	8,524,050	8,245,468	278,582
Human services	993,196	916,474	76,722
Culture and recreation	3,345,075	3,336,858	8,217
Employee benefits	21,517,556	21,499,523	18,033
Debt service	8,845,307	8,813,759	31,548
Intergovernmental	2,016,835	1,966,749	50,086
Transfers out	687,504	687,504	-
Other uses	<u>207,849</u>	<u>207,849</u>	<u>-</u>
Total Expenditures and Other Uses	<u>141,716,746</u>	<u>140,771,068</u>	<u>945,678</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>3,264,764</u>	\$ <u>3,264,764</u>

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Revenues, Expenses and
Changes in Fund Equity - All Proprietary Fund
Types and Similar Trust Funds

For the Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trust Fund
Operating Revenues:			
Charges for services	\$ 19,392,161	\$ 18,604,596	\$ -
Contribution	-	-	50,000
Total Operating Revenue	19,392,161	18,604,596	50,000
Operating Expenses:			
Salary and wages	2,167,595	-	-
Operating expenses	1,354,778	-	-
Depreciation	1,209,751	-	-
Intergovernmental	11,434,367	-	-
Indirect costs	1,755,945	-	-
Other expenses	337,584	-	-
Property claims	-	231,042	-
Benefits paid	-	18,897,963	-
Total Operating Expenses	18,260,020	19,129,005	-
Operating income (loss)	1,132,141	(524,409)	50,000
Nonoperating Income (Expense):			
Net investment income	151,091	113,817	-
Interest expense	(115,539)	-	-
Total Nonoperating Income (Expense)	35,552	113,817	-
Net income (loss)	1,167,693	(410,592)	50,000
Depreciation on assets required with contributed capital	789,413	-	-
Operating transfer in / (out)	145,341	(23,518)	-
Increase (decrease) in retained earnings/fund equity	2,102,447	(434,110)	50,000
Fund Equity, beginning of year	18,288,386	(432,502)	387,581
Fund Equity, end of year	\$ 20,390,833	\$ (866,612)	\$ 437,581

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Changes in Plan Net Assets
Pension Trust Fund

For the Year Ended December 31, 2000

Additions:

Contributions:

Employers	\$ 6,573,060
Plan members	3,163,929
Reimbursements from Federal grants	65,565
Reimbursements from Commonwealth of Massachusetts	451,206
Reimbursements from other systems	<u>729,572</u>
Total contributions	10,983,332

Investment Income/(loss):

Interest and dividends	4,567,401
Realized gain/(loss)	9,400,132
Unrealized appreciation in market value	<u>(17,978,700)</u>
Net investment income	<u>(4,011,167)</u>

Total additions 6,972,165

Deductions:

Benefit payments to plan members and beneficiaries	11,429,754
Reimbursements to other systems	192,528
Refunds and transfers of plan member accounts to other system	953,409
Administrative expenses	<u>184,222</u>
Total deductions	<u>12,759,913</u>

Net (decrease) (5,787,748)

Net assets held in trust for pension benefits:

Beginning of year	<u>144,127,963</u>
End of year	<u>\$ 138,340,215</u>

See accompanying notes to general purpose financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended June 30, 2001

	Proprietary Fund Types	
	<u>Enterprise</u>	<u>Internal Service</u>
Cash Flows From Operating Activities:		
Operating income (loss)	\$ 1,132,141	\$ (524,409)
Adjustments to reconcile operating income to net cash:		
Provided for operating activities:		
Depreciation	1,209,751	-
(Increase) decrease in current assets:		
Accounts and notes receivable, net	(803,210)	-
Increase (decrease) in current liabilities:		
Warrants payable	(15,146)	(826)
Accrued claims liability	-	249,785
Refunds payable	(86,834)	-
Accrued payroll	(1,608)	-
Other liabilities	302,564	-
Net cash provided from operating activities	1,737,658	(275,450)
Cash Flows for Investing Activities:		
Investment income	151,091	113,817
Interest expense	(115,540)	-
Operating transfer in/(out)	145,341	(23,518)
Net cash provided from investing activities	180,892	90,299
Cash Flows for Capital and Related Financing Activities:		
Proceeds from issuance of bonds	868,180	-
Purchase of property, plant and equipment	(1,125,219)	-
Additions in contributed capital	539,923	-
Principal repayments	(275,294)	-
Net cash used for capital and related financing activities	7,590	-
Net increase (decrease) in cash	1,926,140	(185,151)
Cash and cash equivalents, July 1, 2000	4,928,561	2,238,567
Cash and cash equivalents, June 30, 2001	\$ <u>6,854,701</u>	\$ <u>2,053,416</u>

See accompanying notes to financial statements.

Town of Framingham, Massachusetts
Notes to General Purpose Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Framingham (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2001, it was determined that no entities met the required GASB-14 criteria of component units.

B. Basis of Presentation - Fund Accounting

For reporting purposes, the financial activities of the Town are accounted for through the use of several funds and account groups. Each fund is a separate accounting entity with self-balancing accounts. The following types of funds and account groups are used by the Town:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in fiduciary and proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the Town's governmental fund types:

General Fund - To account for all financial activities of the Town, except those required to be accounted for in another fund. Most revenues and expenditures of a general governmental nature are accounted for in this fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for special purposes.

Capital Project Funds - Transactions related to resources obtained and used for the acquisition, construction, or improvement of major capital facilities are accounted for in capital project funds. Such resources are derived principally from proceeds of general obligation bond issues and from Federal and State grants.

Proprietary Fund Types

Proprietary funds are used to account for the Town's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the Town's proprietary fund types:

Enterprise Funds - To account for operations which are supported primarily by user charges.

Internal Service Funds - To account for goods or services provided by one Town department or agency to other Town departments or agencies. The Town accounts for its self-insured health insurance fund and vehicle management fund as internal service funds.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Town in a trustee capacity. The Town maintains the following fiduciary fund types:

Expendable Trust Funds - These funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds are used to account for assets held by the Town in a trustee capacity. The principal balance cannot be spent; however, investment earnings may be spent for intended purposes.

Agency Funds - These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Pension Trust Fund - This fund is used to account for the accumulation of assets used to fund current and future pension benefits.

Account Groups

Account groups are used to establish accounting control and accountability for the Town's general long-term obligations. The following account group is maintained by the Town.

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the Town, except for debt issued through proprietary funds.

C. Basis of Accounting

The basis of accounting used for each fund is as follows:

Modified Accrual Basis (Governmental, Expendable Trust and Agency Funds)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is applied in all governmental, expendable trust and agency fund types. Accordingly, revenues are recorded when susceptible to accrual, that is, both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property tax revenue available if received within 60 days after the close of the fiscal year. All other amounts not received during that period are deferred and recognized in future accounting periods.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues: (1) revenues recognized based upon the expenditures recorded, and (2) revenues recognized at the time of receipt or earlier, if the susceptible to accrual criteria is met.

Other revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Expenditures, except for interest on long-term debt which is recorded when due, and vacation, sick and pension costs because these amounts are not expected to be relieved within the current accounting period, are recorded when the related fund liability is incurred.

Accrual Basis (Proprietary and Nonexpendable Trust Funds)

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is used by proprietary and nonexpendable trust funds. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The Town has elected to apply to these funds accounting principles applicable to the private sector issued through November 30, 1989, unless those principles conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue funds and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents". The interest earnings attributable to each fund type is included under earnings on investments.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investment available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. All Town investments are recorded at fair market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue the Town can derive from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2001 tax levy reflected an excess capacity of \$ 26,734.

G. Fixed Assets

Property, plant and equipment in the proprietary funds of the government are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary and similar trust funds of the government using the straight-line method over the following estimated useful lives:

<u>Enterprise Fund</u>	<u>Years</u>
Buildings	25 - 50
Infrastructure	30 - 100
Equipment	10 - 25
Vehicles	6

H. Long-Term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

I. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers, or other funds.

J. Encumbrance Accounting and Reporting

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.

K. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

L. Statement of Cash Flows

No separate statement of cash flows for the non-expendable trust fund is presented since the only change in the cash balance resulted from the net income of \$ 50,000.

2. Departures from Generally Accepted Accounting Principles

The significant departure of the Town's financial statements from generally accepted accounting principles is as follows:

- General fixed asset acquisitions (non-enterprise) are not capitalized in a general fixed asset group of accounts.

3. Stewardship, Compliance and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund appropriation appearing on page 5 of the financial statements represents the final amended budget of the Town and was authorized as follows:

2001 annual appropriations	\$ 138,076,088
2001 supplemental appropriations	751,990
Statutory County and State assessments	1,943,317
Other uses legally required to be raised	<u>945,351</u>
Total Appropriation	\$ <u>141,716,746</u>

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 155,066,266	\$ 153,071,760
Other financing sources/uses (GAAP basis)	447,126	687,504
Adjust tax revenue to accrual basis	(1,333,822)	-

(Continued)

(Continued)

Reverse beginning of year appropriation carryforwards from expenditures	-	(1,423,120)
Add end of year appropriation carryforwards to expenditures	-	832,609
To record other sources and uses	2,461,796	207,849
To reverse the effect of non-budgeted State contributions for teachers retirement	(12,605,534)	(12,605,534)
Budgetary basis	\$ <u>144,035,832</u>	\$ <u>140,771,068</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2001:

Capital Project Funds:	
High School Renovation	\$ (1,551,798)
Doeskin Betterment	(40,368)
Internal Service Fund:	
Self insurance fund	(866,612)

The deficits in these funds will be eliminated through future bond proceeds and transfers from other funds.

4. Cash and Cash Equivalents

The carrying amount of the Town's and Retirement System's deposits with financial institutions at June 30, 2001 and December 31, 2000 was \$ 37,478,888 and \$ 68,671, respectively. The bank balances, which do not include reconciling items such as deposits in transit and outstanding checks, are categorized as follows:

	<u>Town Deposits</u> <u>June 30, 2001</u>	<u>Retirement System</u> <u>Deposits</u> <u>December 31, 2000</u>
Amount insured by the FDIC and DIF, or collateralized with securities held by the Town in its name	\$ 1,003,937	\$ 100,000
Uncollateralized	4,158,490	573,241
State investment pool	<u>34,729,119</u>	<u>51,794</u>
Total Bank Balance	\$ <u>39,891,546</u>	\$ <u>725,035</u>

5. Investments

The Town's investments are categorized into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the Town or its agent in the Town's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

At year end, the government's investment balances were as follows (in thousands):

	Category			Market Value
	1	2	3	
Government obligations	\$ -	\$ -	\$ 526	\$ 526
Equities	-	-	1,046	1,046
Investments not subject to categorization:				
Mutual funds				949
Total Investments				\$ <u>2,521</u>

At December 31, 2000, the Retirement System's investment balances were as follows (in thousands):

	Category			Market Value
	1	2	3	
Equities	\$ -	\$ -	\$ 537	\$ 537
Investments not subject to categorization:				
Mutual funds				80,260
State investment pool/ PRIT Capital Fund				<u>60,605</u>
Total Investments				\$ <u>141,402</u>

6. Taxes Receivable

Real and personal property taxes are based on assessed values as of the previous January 1 and are normally due on a quarterly basis. By law, all taxable property must be assessed at 100% of fair cash value. Taxes due and unpaid after the due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for unpaid taxes.

The following is a summary of the property tax calendar used for the 2001 tax levies:

June 2000:

The first quarter real estate tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the prior year's tax levy.

August 2000:

The first quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

September 2000:

The second quarter real estate tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the prior year's tax levy.

November 2000:

The second quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

December 2000:

The third quarter real estate and personal property tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the current tax levy.

February 2001:

The third quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

March 2001:

The fourth quarter real estate and personal property tax bills are mailed to taxpayers. This bill is equal to the remainder of the current tax levy.

May 2001:

The fourth quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

Fourteen days after the due date for the fourth quarter tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. Taxes receivable at June 30, 2001 consist of the following (in thousands):

Real Estate	
2001	\$ 1,190
2000	51
1999	58
Prior	<u>144</u>
	1,443

(Continued)

(Continued)

Personal Property

2000	146
1999	119
1998	136
Prior	<u>290</u>

691

Total

\$ 2,134

7. Utility Receivables

The utility receivable balance is presented net of an allowance for uncollectible accounts of \$ 897,353.

8. Due From Other Governments

This balance represents amounts requested from Federal and State agencies as reimbursement for expenditures incurred in fiscal year 2001.

9. Property, Plant and Equipment

The following is a summary of the changes in proprietary fund type property, plant and equipment for fiscal year 2001 (in thousands):

	Balance 6/30/00	Additions	Retire.	Trans.	Balance 6/30/01	Less Accum. Depr.	Net Book Value
<u>Arena</u>							
Land	\$ 407	\$ -	\$ -	\$ -	\$ 407	\$ -	\$ 407
Buildings	695	-	-	-	695	444	251
Equipment	323	6	-	-	329	105	224
Vehicles	<u>104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104</u>	<u>46</u>	<u>58</u>
Total Arena	1,529	6	-	-	1,535	595	940
<u>Sewer</u>							
Land	135	-	-	-	135	-	135
Buildings	3,133	13	(18)	-	3,128	1,745	1,382
Infrastructure	21,925	273	(20)	119	22,297	11,371	10,926
Equipment	407	19	(79)	-	347	168	179
Vehicles	744	165	-	-	909	664	245
Construction in progress	<u>1,214</u>	<u>-</u>	<u>-</u>	<u>(119)</u>	<u>1,095</u>	<u>-</u>	<u>1,095</u>
Total Sewer	27,558	470	(117)	-	27,911	13,948	13,962

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	Balance 6/30/00	Additions	Retire.	Trans.	Balance 6/30/01	Less Accum. Depr.	Net Book Value
Water							
Land	98	-	-	-	98	-	98
Buildings	104	-	-	-	104	82	22
Infrastructure	32,226	592	(111)	222	32,927	11,391	21,536
Equipment	268	57	-	-	325	224	101
Vehicles	581	-	-	-	581	474	107
Construction in progress	222	-	-	(222)	-	-	-
Total Water	33,499	648	(111)	-	34,035	12,171	21,864
Total Enterprise Funds	\$ 62,586	\$ 1,125	\$ (228)	\$ -	\$ 63,481	\$ 26,715	\$ 36,766

10. Amount to be Provided by Commonwealth

The balance in this account represents the portion of bonds payable expected to be reimbursed through the Commonwealth's School Building Assistance Bureau (SBAB). SBAB reimburses the Town for 90 percent of certain qualifying bond issues. These reimbursements are subject to annual appropriations by the State legislature.

11. Warrants and Accounts Payable

Warrants payable represent 2001 expenditures paid by July 15, 2001 as permitted by law. Accounts payable represent additional 2001 expenditures paid after July 15, 2001.

12. Deferred Revenue

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2001 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections. The Town's statutory "allowance for abatements and exemptions" (overlay) account, with a balance of \$ 3,365,265 has been reclassified to deferred revenue for reporting purposes.

13. Tax Refund Reserve

This balance consists of refunds issued during July and August 2001 and an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the State Appellate Tax Board.

14. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2001:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2001</u>
Bond anticipation	3.44%	6/22/01	3/21/02	\$ 413,670
Bond anticipation	3.44%	11/15/00	11/15/01	<u>2,500,000</u>
Total				\$ <u>2,913,670</u>

15. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. The bonds reported in the proprietary funds are expected to be repaid from proprietary fund revenues. Payment is not limited to a particular revenue source. However, as previously noted, the Town's ability to raise property taxes is restricted by the enactment of legislation known as "Proposition 2 1/2". General obligation bonds currently outstanding are as follows:

	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2001</u>
<u>Governmental Funds:</u>			
General obligation	9/04	4.35	\$ 700,000
General obligation	6/05	4.33	760,000
General obligation	7/07	4.43	3,125,000
General obligation	10/14	5.90	3,055,000
General obligation	3/15	4.94	10,570,000
General obligation	2/19	4.33	18,000,000
General obligation	3/20	5.51	17,975,000
General obligation	8/14	4.00	<u>12,465,000</u>
Total Governmental			66,650,000
<u>Proprietary Funds:</u>			
Sewer bond (MWRA)	2/02	0.00	29,250
Water bond (MWRA)	8/02	0.00	300,827
Sewer bond	9/04	4.35	300,000
Sewer bond (MWRA)	6/15	2.54	331,227
Sewer bond (MWRA)	8/10	0.00	<u>868,180</u>
Total Proprietary			<u>1,829,484</u>
Total All Debt			\$ <u>68,479,484</u>

B. State Revolving Loans

The Massachusetts Water Resource Authority (MWRA) sponsors a no interest loan program for use by Massachusetts communities to improve their water and sewer systems.

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. In Massachusetts, the loans are administered by the Massachusetts Water Pollution Abatement Trust (MWPAT) and are used by local communities to improve their sewer systems.

C. Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2001 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 5,360,000	\$ 3,085,309	\$ 8,445,309
2003	5,395,000	2,873,796	8,268,796
2004	5,420,000	2,618,570	8,038,570
2005	5,165,000	2,363,240	7,528,240
2006	4,430,000	2,113,208	6,543,208
Thereafter	<u>40,880,000</u>	<u>12,237,022</u>	<u>53,117,022</u>
Total	\$ <u>66,650,000</u>	\$ <u>25,291,145</u>	\$ <u>91,941,145</u>
<u>Proprietary</u>			
2002	\$ 357,878	\$ 22,349	\$ 380,227
2003	329,445	18,379	347,824
2004	179,902	14,271	194,173
2005	180,833	10,087	190,920
2006	106,832	7,736	114,568
Thereafter	<u>674,594</u>	<u>38,204</u>	<u>712,798</u>
Total	\$ <u>1,829,484</u>	\$ <u>111,026</u>	\$ <u>1,940,510</u>

D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2001 are as follows:

<u>Purpose</u>	<u>Amount</u>
Main library repair	\$ 500
Woodrow Wilson	331
Cameron School	500,357
Rubbish packer	30

(Continued)

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Restroom Memorial Building	25,000
High school renovation	54,000,000
Roosevelt school demo	200,000
Memorial building feasibility study	5,000
Polling equipment	64,000
Danforth park rst.	53,500
Rubbish truck	154,960
Park Street drainage	300,000
Library project	466
Reline Hollis, Millwood	55,820
Kennel	244,000
Sidewalk repair	200,000
Brush chipper	29,470
Stormwater plan	500,000
Amer Treasure	196,977
Boller brophy	80,000
Boller dunning	80,000
Network upgrade	136,474
F550 Stake body	43,248
Carter, Merlon, Tus light	157,500
Park & School Fence	231,897
Fire turnout Gear	203,000
Street Sweeper	143,949
2 ½ 4wd pick ups	49,624
Replace generator	47,000
Streetlight	525,000
Main rehab Sudbury	312,695
I&I evaluation	300,000
Vaillencourt pump	130,000
Brick, Arch main	56,000
Gal sewer jet	153,341
35K GVW dump	86,746
1 Ton utility truck	38,699
Main Rehab/reline	1,407,000
Backhow	38,916
Special assessment - Carter, Woodstock and Doeskin Drives	<u>2,000,000</u>
Total	<u>\$ 62,751,500</u>

E. Debt Defeasance

Current Year

On March 8, 2001, the Town issued general obligation bonds in the amount of \$ 9,005,000 with a variable interest rate ranging from 4.0% to 4.4% to advance refund \$ 8,295,000 of term bonds with an interest rate

of 5.9%. The term bonds mature on October 15, 2014 and are callable on October 15, 2014. The general obligation bonds were issued at 4.0%. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on October 15, 2014. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's General Long-Term Account Group.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by approximately \$ 611,611, which resulted in an approximate economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$ 110,000.

Defeased debt still outstanding at June 30, 2001 is \$ 8,295,000.

F. Overlapping Debt

The Town's proportionate share of debt of other governmental units which provide services within the Town's boundaries and which must be borne by the resources of the Town is summarized below (in thousands, unaudited):

<u>Related Entity</u>	<u>Principal</u>	<u>Town's Estimated Share</u>	
MWRA - Water	\$ 1,135,589	3.939%	\$ 44,731
MWRA - Sewer	3,325,729	2.921%	<u>97,145</u>
Total			\$ <u>141,876</u>

G. Legal Debt Margin

The Town is subject to the General Laws of the Commonwealth of Massachusetts which limits the amount of bonded debt the Town may have outstanding to 5 percent of the valuation of taxable property as last equalized by the Commonwealth's Department of Revenue. The following is a computation of the legal debt margin as of June 30, 2001 (in thousands of dollars):

Equalized valuation - January 1, 2000		\$ <u>5,075,655</u>
Debt limit - 5% of equalized valuation		\$ 253,783
Total debt outstanding	68,479	
Less debt exempt from limit	<u>(38,170)</u>	<u>(30,309)</u>
Legal Debt Margin		\$ <u>223,474</u> *

* = Does not include Authorized Unissued Debt.

H. Changes in General Long-Term Liabilities

During the year ended June 30, 2001, the following changes occurred in liabilities reported in the general long-term debt account group (in thousands):

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
Accrued employee benefits	\$ - *	\$ 1,929	\$ -	\$ 1,929 *
General obligation debt	67,515	4,170	(5,035)	66,650
Capital lease obligation	92	-	(40)	52
Total	\$ 67,607	\$ 6,099	\$ (5,075)	\$ 68,631

* Accrued employee benefits were not calculated as of June 30, 2000, therefore the entire June 30, 2001 balance is reported as an addition.

16. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2003. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2001:

2002	\$ 39,158
2003	<u>14,100</u>
Total minimum lease payments	53,258
Less amount representing interest	(1,497)
Present Value of Minimum Lease Payments	\$ <u>51,761</u>

17. Contributed Capital

Contributed capital consists of funding provided to proprietary funds for facility construction from Federal, State and municipal sources. Changes in contributed capital for the year ended June 30, 2001 were as follows (in thousands):

	Balance July 1, 2000	Additions	Deprec. and Disposals	Balance June 30, 2001
Enterprise Funds:				
Arena	\$ 548	\$ -	\$ (13)	\$ 535
Sewer	8,363	273	(385)	8,251
Water	<u>18,378</u>	<u>267</u>	<u>(391)</u>	<u>18,254</u>
Total	\$ 27,289	\$ 540	\$ (789)	\$ 27,040

The beginning balance in contributed capital has been restated to include Arena fund fixed assets previously omitted.

18. Reserves of Fund Equity

The Town has established "reserves" of fund equity to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town reported the following types of reserves at June 30, 2001:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Endowments - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

19. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

The Massachusetts State Legislation allowed municipalities to defer funding for a portion of the 1992 and 1993 teachers summer pay to future years. This must be funded within a 15 year period, beginning in 1997.

Massachusetts general laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation or are assessed by the State. All such overexpenditures, however, must be funded in the subsequent year's tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 3,434,962
Teacher pay deferral	1,989,578
Tax refund estimate	<u>1,567,473</u>
Statutory (UMAS) Balance	\$ <u>6,992,013</u>

20. Segment Information for Enterprise Funds

The Town maintains enterprise funds which provide water, sewer and ice arena services. Segment information for the year ended June 30, 2001 follows (in thousands):

	<u>Ice Arena</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$ 353	\$ 11,335	\$ 7,704	\$ 19,392
Depreciation expense	33	569	608	1,210
Operating income (loss)	(152)	449	835	1,132
Net income (loss)	(123)	448	843	1,168
Depreciation on assets acquired with contri- buted capital	13	385	391	789
Increase (decrease) in retained earnings	35	833	1,234	2,102
Fixed asset additions	7	470	648	1,125
Total assets	1,000	20,722	28,289	50,011
Long-term obligations	-	660	1,169	1,829
Total equity	988	19,829	26,613	47,430

21. Subsequent Events

Subsequent Budget Authorization

The financial statements for the Town as of June 30, 2001 do not reflect the fiscal 2002 annual budget authorized in May 2001. The amount authorized in April (all funds) totaled \$ 162,138,502.

22. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a

liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

EPA Underground Storage Tank Removal - In 1998, the Town was notified by the Department of Environmental Protection that there may be petroleum contamination resulting from the removal of underground fuel dispensing storage tanks. The Town engaged a Licensed Site Professional (LSP) to evaluate the potential contamination. The extent of contamination and related cleanup costs are estimated to be \$ 1.4 million. In April 1998, the Town authorized borrowings of \$ 1.4 million, and in February 1999 borrowed \$ 1.4 million. The remaining liability is estimated to be \$ 1,218,805, which represents the total estimated cost less expenditures incurred of \$ 181,195.

23. Post-Retirement Health Care and Life Insurance Benefits

The Town's employee contracts provide for health care and life insurance benefits to retirees, their dependent, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2001 was not available.

24. Contributory Retirement System

A. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

B. Plan Description and Contribution Information

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Framingham Contributory Retirement System (FCRS), a cost sharing, multiple employer PERS. Eligible employees must participate in the FCRS. The pension plan provides pension benefits, deferred allowances,

and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the FCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The FCRS Retirement Board does not have the authority to amend benefit provisions.

Membership of each plan consisted of the following at December 31, 2000, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	800
Terminated plan members entitled to but not yet receiving benefits	149
Active plan members	<u>1,160</u>
Total	<u>2,109</u>
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participants date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Effective January 1, 1990, all participants hired after January 1, 1979, must pay an additional 2% of salary in excess of \$ 30,000. The Town's current year covered payroll for teachers was \$ 36,466,828.

In fiscal year 2001, the Commonwealth of Massachusetts contributed \$ 12,605,534 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues reported on page 4.

25. Self Insurance

The Town self insures against claims for most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for up to \$ 75,000 per incident, with a maximum lifetime coverage of \$ 2,000,000. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2001 are as follows:

Claims liability, July 1, 2000	\$ 2,669,898
Claims incurred/recognized in fiscal year 2001	19,129,005
Claims paid in fiscal year 2001	(18,879,220)
Claims liability, June 30, 2001	\$ <u>2,919,683</u>

26. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

27. GASB Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements will include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Town's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by the Town of Framingham no later than the fiscal year ending June 30, 2002; the retroactive reporting of infrastructures must be implemented no later than the year ending June 30, 2006.

TOWN OF FRAMINGHAM, MASSACHUSETTS

SUPPLEMENTARY SCHEDULE

Combining Balance Sheet
All Enterprise Funds

June 30, 2001

<u>ASSETS</u>	<u>Ice Arena</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash and cash equivalents	\$ 59,638	\$ 3,292,419	\$ 3,502,644	\$ 6,854,701
Receivables:				
Tax liens and foreclosures	-	568,606	310,650	879,256
Utility, net	-	2,899,317	2,611,894	5,511,211
Fixed assets, net	940,020	12,866,849	21,864,044	35,670,913
Construction in progress	-	1,095,041	-	1,095,041
Total Assets	<u>\$ 999,658</u>	<u>\$ 20,722,232</u>	<u>\$ 28,289,232</u>	<u>\$ 50,011,122</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Warrants payable	\$ 333	\$ 43,998	\$ 178,652	\$ 222,983
Accrued payroll	2,951	14,927	18,168	36,046
Other liabilities	7,766	174,068	99,783	281,617
Notes payable	-	-	211,000	211,000
Bonds payable	-	660,477	1,169,007	1,829,484
Total Liabilities	11,050	893,470	1,676,610	2,581,130

Fund Equity:

Contributed capital	534,899	8,250,777	18,253,483	27,039,159
Retained earnings	453,709	11,093,442	8,060,380	19,607,531
Reserved for encumbrances	-	484,543	16,159	500,702
Reserved for expenditure	-	-	282,600	282,600
Total Fund Equity	<u>988,608</u>	<u>19,828,762</u>	<u>26,612,622</u>	<u>47,429,992</u>

Total Liabilities and Fund Equity	<u>\$ 999,658</u>	<u>\$ 20,722,232</u>	<u>\$ 28,289,232</u>	<u>\$ 50,011,122</u>
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See Independent Auditors' Report.

TOWN OF FRAMINGHAM, MASSACHUSETTS

SUPPLEMENTARY SCHEDULE

Statement of Revenues, Expenses and
Changes in Retained Earnings - All Enterprise Funds

For the Year Ended June 30, 2001

	<u>Ice Arena</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:				
User charges	\$ 353,544	\$ 11,334,629	\$ 7,703,988	\$ 19,392,161
Total Operating Revenue	353,544	11,334,629	7,703,988	19,392,161
Operating Expenses:				
Salary and wages	196,323	811,699	1,159,573	2,167,595
Operating expenses	137,711	675,640	541,427	1,354,778
Depreciation	32,991	569,340	607,420	1,209,751
Intergovernmental	-	7,730,283	3,704,084	11,434,367
Indirect costs	131,170	833,045	791,730	1,755,945
Other expenses	7,766	265,810	64,008	337,584
Total Operating Expenses	505,961	10,885,817	6,868,242	18,260,020
Operating income (loss)	(152,417)	448,812	835,746	1,132,141
Nonoperating Income (Expense):				
Investment income	36,657	73,737	40,697	151,091
Interest expenses	(7,606)	(74,241)	(33,692)	(115,539)
Total Nonoperating Income (Expense)	29,051	(504)	7,005	35,552
Net income (loss)	(123,366)	448,308	842,751	1,167,693
Depreciation on assets required with contributed capital	13,177	385,022	391,214	789,413
Operating transfer in	145,341	-	-	145,341
Increase (decrease) in retained earnings/ fund equity	35,152	833,330	1,233,965	2,102,447
Retained Earnings, beginning of year	418,557	10,744,655	7,125,174	18,288,386
Retained Earnings, end of year	\$ 453,709	\$ 11,577,985	\$ 8,359,139	\$ 20,390,833

See Independent Auditors' Report.

TOWN OF FRAMINGHAM, MASSACHUSETTS

CONTRIBUTORY RETIREMENT SYSTEM

Schedules of Funding Progress and Employer Contributions

Schedule of Funding Progress (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b - a)/c]
1/01/91	\$ 40,645	\$ 92,433	\$ 51,788	44.0%	\$ 27,351	189%
1/01/95	\$ 62,360	\$ 122,220	\$ 59,860	51.0%	\$ 29,168	205%
1/01/98	\$ 105,941	\$ 156,983	\$ 54,042	67.5%	\$ 33,120	163%
1/01/00	\$ 147,572	\$ 181,149	\$ 33,577	81.0%	\$ 39,871	84%

Information is only provided for those years in which an actuarial valuation or actuarial update was performed. Information prior to 1991 is not available.

Schedule of Employer Contributions (Town share only):

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1992	\$ 4,869,897	100%
1993	5,378,958	100%
1994	5,663,861	100%
1995	6,805,493	100%
1996	6,195,869	100%
1997	6,449,439	100%
1998	6,655,700	100%
1999	6,945,980	100%
2000	6,888,019	100%
2001	6,023,613	100%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	January 1, 2000
Actuarial cost method	Entry age, normal cost
Amortization method	Level payments for early retirement incentive liability and approximate level percent of payroll for remaining unfunded liability

Remaining amortization period	3.5 years from July 1, 1998 for early retirement incentive liability and 28 years from July 1, 1998 for remaining unfunded liability
Asset valuation method	Fixed income securities and international investments at book value and all other investments at market value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	6%
Cost of living adjustments	3% of \$ 12,000 per year of retirement income (included in January 1, 1998 figures)

See Independent Auditors' Report.